(b) if so, the steps taken or proposed to be taken in this regard?

THE MINISTER OF STATE OF THE MINISTRY OF TEXTILES (SHRI KAMALNATH): (a) and (b) The Government has been making all efforts to tap the full potential of the textile industry in the country and to improve the quality standards of textiles, so that the twin objectives of making good quality cloth available in adequate quantity and at affordable prices to our people, particularly the poorer sections, and simultaneously to aggressively push our exports so as to increase our share of the global trade in textiles, can be achieved. Towards this end the Government keeps a close watch on the developments in the textile industry and as & when there is any developemnt in any segment of the textile industry requiring attention, appropriate measures are taken through policy interventions.

बैंकों द्वारा प्राथमिकता क्षेत्र को ऋण

179. **श्रीमती सुषमा स्वराज** :

श्री राम जेठमलानी :

क्या **वित्त** मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि राष्ट्रीयकृत बैंकों द्वारा ऋण देने के प्रयोजन से प्राथमिकता क्षेत्र का निर्धारण किया गया है;

(ख) यदि हां, तो क्या यह भी सच है कि इस प्राथमिकता क्षेत्र में कृषि, लघु उद्योग, ग्रामीण कुटीर उद्योग और निर्यात को शामिल किया गया है;

(ग) यदि हां, तो देश में 1992-93, 1993-94 और 1994-95 के वित्तीय वर्षो के दौरान कृषि, लघु उद्योग, कुटीर उद्योग और निर्यात क्षेत्र को राष्ट्रीकृत बैंकों द्वारा बैंक ऋण का कितना-कितना प्रतिशत दिया गया है;

(घ) क्या यह प्रतिशतता भारतीय रिजर्व बैंक द्वारा निर्धारित अनुदेशों के अनुरूप है; और

(ड) यदि नहीं, तो उसके क्या कारण हैं?

वित्त मंत्रालय में राज्य मंत्री (डा0 देबी प्रसाद पाल) : (क) और (ख) प्राथमिकता क्षेत्र को ऋण देने के संबंध में भारतीय रिजर्व बैंक के मार्गनिर्देशों के अनुसार, राष्ट्रीयकृत बैंकों सहित सभी भारतीय बैंकों को अपने निवल बैंक ऋण (एनबीसी) का कम से कम 40 प्रतिशत प्राथमिकता क्षेत्र को देना अपेक्षित है । प्राथमिकता क्षेत्र में शामिल किए गए क्षेत्र नीचे दिए गए है:-

(i) कृषि

(ii) लघु-उद्योग

(iii) लघु, सड़क और जल परिवहन परिचालक

(iv) खुदरा व्यापार

(v) छोटे कारोबार

(vi) व्यावसायिक और स्वनियोजित व्यक्ति

(vii) अनुसूचित जातियों/अनुसूचित जनजातियों के लिए राज्य के प्रयोजित संगठन

(viii) शिक्षा

(ix) आवास

(x) उपभोक्ता ऋण

निर्यात ऋण भारतीय अनुसूचित वाणिज्यिक बैंकों के लिए प्राथमिकता क्षेत्र का हिस्सा नहीं है ।

(ग) से (ड) राष्ट्रीयकृत बैंकों की एनबीसी की तुलना में प्राथमिकता क्षेत्र के अग्रिमों की प्रतिशतता मार्च, 1993, 1994 और 1995 के अंत तक क्रमश: 38.36 प्रतिशत, 38.82 प्रतिशत और 37.37 प्रतिशत है जबकि लक्ष्य 40% है ।

भारतीय रिजर्व बैंक ने सूचित किया है कि निवल बैंक ऋण की तुलना में प्राथमिकता क्षेत्र को ऋण देने की प्रतिशतता में गिरावट आने के ये कारण हो सकते है: 1998 से बैंकों की लाभप्रदता पर अधिक जोर दिया गया है, आय की पहचान, प्रावधान करने और पूंजी पर्याप्तता के संबंध में भारतीय रिजर्व बैंक द्वारा निर्धारित किए गए विवेक्सम्मत मानदंड तथा अधिक अंतरण और प्राथमिकता क्षेत्र को ऋण देने में अंतर्ग्रस्त जोखिम लागत । तथापि, भारतीय रिजर्व बैंक को ऋण देने के लिए निर्धारित लक्ष्यों को प्राप्त करने हेतु वे पूरा प्रयास करें ।

Recommendations of Sodhani Committee

180. SHRI PRAMOD MAHAJAN:
SHRI VIREN J. SHAH:

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) appointed a commitee headed by Mr. O.P. Sodhani to recommend reforms in the foreign exchange market, if so,

when the committee was appointed, on what terms of reference and who were the members of the committee;

(b) whether the committee has submitted its report and if so, on what date, what are the details of its recommendations and what action has so far been taken on each of the recommendations;

(c) to what extent the changes proposed are likely to remove the controls and pave the way for healthy competition; and

(d) what is the present position in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. DEBI PROSAD PAL): (a) Yes, Sir. The Reserve Bank of India set up an Expert Group in November, 1994. The terms of reference of the Group and the members of the Group are indicated in Statement-I *(see* below).

(b) Yes, Sir. The Expert Group submitted its final report on 27th June, 1995. The details of the Expert Group's recommendations are indicated in Statement-II. *(see* below).

Three recommendations relating to open exchange position of banks, collection of market data and setting up of forex clearing house have been accepted and are under implementation. The other recommendations of the Group are under consideration.

(c) The recommendations of the Expert Group are wide ranging. These can be implemented as and when the market is perceived to be mature enough to absorb changes and controls arc no longer considered necessary.

(d) The recommendations relating to open exchange position of banks, collection of market data and setting up of forex clearing house have been accepted and are under implementation.

Statement-I

Expert Group on Foreign Exchange Markets in India

Reserve Bank of India set up an Expert Group on Foreign Exchange Markets in India to examine issues relating to products available for hedging forex risks, scope for further development of forex markets in India and introduction of new derivative products and other related matters with the following terms of reference:

(1) To review the existing forex market in India and products available for hedging forex risks.

(2) To consider relaxations that would be needed in exchange control and monetary control to facilitate the development of forex markets.

(3) To examine the scope for further development of forex markets in India including derivative products.

(4) To recommend the type/nature of products (including derivatives) that are considered appropriate and the measures necessary to impart sufficient liquidity- to the markets in these products.

(5) To consider permitting 'margin trading' in forex by corporates, in India.

(6) To consider the accounting standards and procedures that should be followed for these, products by the market participants and the minimum requirement for disclosure in the annual accounts.

(7) To make recommendations regarding the internal control systems for measurement and control of risk for financial institutions offering these products.

(8) To make recommendations for the prudential regulatory framework (including capital adequacy norms, appropriate risk weights

etc.) for an orderly development/ functioning of the forex markets.

(9) To make any other suggestions/ commendations having a bearing on the above terms of reference.

The Expert Group consisted of the following terms:

1. Shri O.P. Sodhani Chairman
   Executive Director
   Reserve Bank of India
   Central Office Bombay
   400 023.
2. Shri V. Member
   Ananthakrishnan
   Chief Executive Foreign
   Exchange Dealers'
   Association of India Bombay
3. Shri S.A. Kamath Member
   Executive Director
   Union Bank of India
   Bombay.
4. Shri Pradeep Pain Member
   General Manager State
   Bank of India Bombay.
5. Shri Pavan Sukhdev Member
   . Head of Treasury
   Deutsche Bank
   Bombay.
6. Smt. L. Gupte Member
   Executive Director
   ICICI Bombay.
7. Shri Kiran Umrootkar Member
   Chief Executive
   Paterson & Co.
   Bombay.
8. Shri Jamal Meeklai Member
   Partner Mecklai &
   Mecklai Bombay.
9. Shri A.V. Rajwade Member
   Forex Consultant
   Rajwade & Co.
   Bombay.
10. Shri R. Sridharan Member
    Officer on Special Duty
    (External Equity) Ministry
    of Finance
    Government of India
    New Delhi—110 001
11. Shri B.K. Pal Member
    Controller Exchange
    Control Department Reserve
    Bank of India Bombay.
12. Shri P.R. Anantharaman Member
    Chief Officer.
    Department of External
    Investments & Operations
    Reserve Bank of India
    Bombay.
13. Smt. Shyamala Gopinath Member
    Joint Chief Officer
    Department of
    Banking Operation and
    Development Reserve
    Bank of India Bombay.
14. Shri D.S.R. Simhudu Member-
    Additional Controller Secretary
    Exchange Control Department
    Reserve Bank of India Bombay.

Statement II

MAJOR RECOMMENDATIONS OF THE EXPERT GROUP

Relaxation to existing Regulations

1. Corporates should be permitted to take hedge upon declaring the existence of a genuine exposure.

2. The banks may be permitted to decide open position limits subject to their earmarking capital to the extent of 50% of open exposure limit. The current cap of Rs. 15 crorcs on open exchange position may be withdrawn.

3. The discipline relating to aggregate gap limits, ideally, should encompass rupee transactions also. While this is the ultimate goal, to begin with, the banks should be permitted to fix their own gap limits based on capital, risk bearing capacity etc.

4. Authorised Dealers may on application to RBI be permitted to initiate cross currency positions overseas.

5. In order to import depth and liquidity to the forward markets, banks should be allowed to lend or borrow short-term funds upto six months in the overseas markets upto specified limits.

6. The number of market participants should be increased by permitting financial institutions like IDBI, 1FCI etc. to trade in the forex market.

7. Market intervention by RBI should be selective rather than continuous. Forex swaps may be used as a tool by RBI to control be forward margins.

8. Banks should have the freedom to determine the interest rates and maturity period of FCNR(B) deposits subject to a cap being put in place by RBI.

9. Exporters should, subject to liquidation of outstanding advances, be permitted to retain 100% of export earnings in foreign currency in India.

10. Inter-bank borrowings should be exempted from statutory pre-emptions to help the emergence of a rupee terms money market and a deep and liquid debt/forex market.

Derivative Products, Risk Management and Accounting

11. Corporates should be permitted to cancel and re-book option contracts and hedge any genuine contingent exposure using options.

12. Banks should be permitted to offer lower cost option strategies like "range forwards" and "ration range forwards"

13. Tax laws relating to withholding tax should be unambiguous and derivative transactions should not be subject to any withholding tax. This matter may be taken up with the Government of India.

14. Banks should have greater freedom to use derivative products for their own asset-liability management.

15. Banks can be given general permission to offer hedging products like caps, floors, swaps etc. subject to post-facto reporting.

16. Corporates having EEFC accounts should be permitted to use amounts there-in as margin for executing trades that will enable them access to hedging products overseas which are not available in India.

17. Subject to reforms in the money market and permitting short term investments/borrowings overseas, RBI may invite proposals from banks for offering rupee-based derivatives.

18. In the long run, authorised dealers may be permitted to offer all types of derivative products subject to their putting in place comprehensive risk management systems of the basis of RBI guidelines. A fresh set of guidelines for forsx and derivative risk management shoul be framed by the RBI to replace the existing Internal Control Guidelines.

19. In view of the complexity of derivative products and attendant risks, an association of professionals or FEDAI should ensure that uniform documentation and market practices are followed by all the market participants.

20. The Group has apprehensions that some of the corporates have converted exposure management function into a profit centre without having adequate control systems. It is therefore imperative that all market participants should put in place risk management policies and internal control systems before being allowed to transact in forex and interest rate derivative products.

21. Accounting of derivative transactions (including forwards) should specifically differentiate between its use for trading from hedging.

22. Accounting standards for all market participants should be developed by the Institute of Chartered Accountants of India (ICAI) for forex/derivative products to cover accounting and disclosure norms. As an interim measure, ICAI should issue a guidance note or statement of recommended practices (SORP) covering accounting and disclosure norms. In case an organisation

does not adhere to the guidance note, the departure sould be suitably commented upon by the auditor.

23. Proper disclosure of interest rate and forex rate risks should be made in the financial report. The disclosure should include a clear statement on the risk management of derivatives and the company's accounting policy for derivatives.

24. The accounting practices recommended by ICAI should be accepted by tax authorities for the determination of tax incidence.

25. All market participants may follow the recommended "best practices" for managing various risks while undertaking forex derivative transactions. Boards of Directors of end-users should approve and implement a policy for the use of derivative for financial risk management which sets the boundaries of their derivative operations.

26. The netting of settlements and the related pre-settlement risk should be made legally enforceable. A study group may be set up to examine the issue in all its ramifications.

27. To ensure that banks and others contemplating derivatives dealing activity are not unprepared for the potential capital requirements for market price risks, as and when Basic Committee finalise the same, appropriate quantifications methdologies as recommended should be followed by all the authorised dealers permitted to deal in derivatives.

Miscellaneous

28. RBI may set up a foreign exchange market committee to advise it on policy issues relating to foreign exchange, effecting improvements in the quality of risk management and preparing issue papers on specific market related topics.

29. Off-shore banking units may be set up in Bombay.

30. RBI should take the initiative in collecting and publishing on a daily basis critical data of foreign exchange transactions.

31. The proposed Forex Clearing House in Bombay may be set up early considering the substantial benefits this could offer to banks.

32. FEDI's role may be reviewed and enlarged specifically to focus on training and preparing the stage for further relaxations in the forex/derivatives market.

33. With a view to offer the best possible exchange rates to smaller entities, banks should keep their forex dealing branches updated on rate variations or consider decentralising dealing operations.

आय-कर विभाग द्वारा मारा गया छापा

181. **श्री दिलीप सिंह जूदेव** : क्या वित्त मंत्री यह बताने की कृपा करेंगे कि :

(क) गत तीन वर्षो के दौरान दिल्ली में आय-कर विभाग द्वारा किन-किन व्यक्तियों, फर्मो और कंपनियों के यहां छापे मारे गये और इस संबंध में ब्यौरा क्या है;

(ख) किन-किन फर्मो और कंपनियों ने आय-कर नहीं चुकाये हैं;

(ग) कितनी फर्मो कंपनियों और व्यक्तियों ने आय-कर विभाग के अधिकारियों के सरकारी काम-काज में रूकावट डाली;

(घ) इनमें से प्रत्येक व्यक्ति, फर्म और कंपनी से कितने मूल्य की वस्तुएं जब्त की गई; और

(ड) रिलायंस औद्योगिक (समूह) के कितने कर्मचारियों के विरूद्ध उक्त अवधि के दौरान आय-कर अदा नहीं करने के मामले दर्ज किये गये हैं?

वित्त मंत्रालय में राज्य मंत्री (श्री एम0वी0 चन्द्रशेखर मूर्ति) : (क) से (ड) सूचना एकत्र की जा रही है और सभा-पटल पर रख दी जाएगी।

Posts vacant in Air India

182. SHRI GHUFRAN AZAM: Will the Minister of CIVIL AVIATION AND TOURISM be pleased to refer to answer to Unstarred Question 2127 dated 28th